

Financial Aid in a Changing World

By Don Rauf

With the economy gaining some steam but still not up to speed, it's no wonder that many high school students and their families are worried about how they are going to pay for college. It's also no secret that the price tag for attendance at most colleges continues to rise. The College Board, in its college prices study for the 2011-2012 school year, reported that 123 institutions list their cost at more than \$50,000.

"It's an era of persistently high unemployment, family incomes that fail to keep up with inflation, and savings that have been eroded by declining stock market values, colleges are relying on tuition for an increasing share of their revenues," says Sandy Baum, an independent policy analyst for the College Board. "At a time when students and families are ill-equipped to manage additional expenses, student financial aid is more important than ever."

But financial aid can be hard to come by. An annual survey of about 204,000 high school students, *The American Freshman: National Norms Fall 2011*, found the percentage of students who received financing from scholarships or grants had dipped 4% from 2010, and the dollar value on those awards had also declined. Changes in federal policy are not helping matters this year either, with hikes on student loan interest rates and cuts for Pell grant eligibility.

While you need to recognize the stark reality, all is not gloom and doom. As Anna Leider, author of *Don't Miss Out: The Ambitious Student's Guide to Financial Aid*, says, "Families consistently overestimate the cost of college and underestimate the availability of financial aid."

As a student heading to college, consider a few positives:

****The cost of college may not be as high as you think.** The College Board reports nearly half of all students are attending a four-year college where the sticker price is less than \$9,936 a year. With financial aid included, most students pay less than that.

****More than 60% of students receive some form of financial aid.** Depending on your circumstances and qualifications, an "expensive" college may offer a generous aid package-so don't automatically rule out the school with a big price tag. "The best thing to do is educate yourself on your financial packages at each school you're thinking about attending," says Katrina Wells, a senior at Lebanon Valley College in Annville, Pennsylvania.

****Extra effort can equal extra aid.** Leave no stone unturned in your hunt for financial aid; make sure you explore aid from the federal government, states, private sources (such as scholarships and grants), and institutional aid from your college choice.

****The more you learn, the more you can earn.** Bureau of Labor Statistics surveys for 2011 show that those who have earned a bachelor's degree had median weekly earnings of \$1,053 compared to \$638 for those with only a high school diploma. Those with a master's earned \$1,263 and those with a professional degree earned \$1,665. Also, higher education equals lower unemployment; the average unemployment for a bachelor's degree holder was 4.9% compared to 9.4% for those who only held a high school diploma. Unemployment drops to 3.6% with a master's degree and 2.4% with a professional degree.

Planning for All Four Years

"The #1 priority for students is to come up with a strategy to pay for college for all four years-not just the first year," says Tommy Blair, Director of Financial Aid at Roanoke College in Salem, Virginia.

Natalie Rooney, now a senior at University of Missouri (Mizzou) in Columbia, started her college journey with family savings, loans, and a merit scholarship from the University. She knew those funds would basically cover her first two years, but after that, her payment plan was foggy.

With her college savings dwindling after sophomore year, Rooney had to hunt for more funding, so she applied for as many scholarships as she could. Because of her involvement in community service and with her sorority, she qualified for a \$3,000 Golden Key

Scholarship and \$1,000 scholarship from the Pan-Hellenic Association on campus her junior year.

“I’ve won a lot of scholarships because of my involvement on campus,” Rooney says. “I’m president of my Kappa Delta chapter, and I’m doing work in the community.” She volunteers with a group called Girls on the Run, encouraging local grade school girls to be more athletic and build self-esteem. She has also given her time to blood drives, shelters for abused children and assisting the homeless.

“I would highly encourage continuing to search for scholarships throughout college,” Rooney says. “As you continue your education, a lot more opportunities open for different scholarships. It helps so much to even have a couple thousand extra dollars for the year.”

File the FAFSA!

While searching for scholarships should be a big part of your plan to pay for college, you should also complete the Free Application for Federal Student Aid (FAFSA).

“A lot of students don’t fill out the FAFSA because they think they won’t qualify,” says Wil Casaine, Director of Financial Aid at the College of New Jersey in Ewing Township. “But it’s free, and everyone can qualify for a federal loan. Plus, someone who doesn’t fill out a FAFSA may get looked over for institutional aid,” You have absolutely nothing to lose by submitting the FAFSA.

Even if you’re attending a community college, you should fill out the form, says Terry Bazan, Director of Student Assistance at Austin Community College (ACC) in Texas. “Community colleges may be low-cost institutions, but many of our students qualify for aid,” she says.

How Natalie Rooney Paid for Her Senior Year of College

TYPE OF FINANCIAL AID	AMOUNT
• Bright Flight Scholarship (For Mizzou student with high ACT scores)	\$1,500
• Sam Bronstein Scholarship (For Mizzou journalism students)	\$300
• Reed & Gloria Penington Scholarship (For members of Kappa Delta sorority who are pursuing journalism)	\$2,000
• Curators Scholars Award (For Mizzou students in the top 5% of high school graduating class along with an ACT score of 28 or higher, but is automatically renewable each year by maintaining a 3.25 GPA)	\$3,500
• FAFSA Unsubsidized Loans	\$7,500
Total Aid:	\$14,800

COST OF COLLEGE FOR NATALIE

• Annual Tuition (in-state resident)	\$8,500
• College	\$1,000
• Room and Board	\$3,500
• Miscellaneous (trips, meals out, movies, etc.)	\$1,800
Total:	\$14,800

That has certainly been the case for Sonya Dryz, who is working toward an associate degree in English at ACC. For the 2011-2012 school year, she qualified for the maximum Pell Grant of \$5,550, \$4,440 in federal work-study, and \$3,500 in loans.

From the personal financial information you provide on the FAFSA, processors determine your Expected Family Contribution (EFC)-an amount you and your family are expected to pay for college. The total cost of a college minus your EFC equals your financial need. How much you qualify for in financial aid depends on your need. Colleges put together aid packages that try to meet that need.



The Formula for Financial Aid:

$$\text{Cost of College} - \text{EFC} = \text{Need}$$

Financial Aid Glossary

CSS/ Financial Aid PROFILE: A financial aid for administered by the College Board; required by some but not all colleges and universities to process financial aid awards; \$25 to register and \$16 per school receiving the completed form

Comprehensive Fee (Total Cost): The total combination of tuition, room, board, fees, and sometimes general expenses

EFC (Estimated Family Contribution): The amount of money a student and his/her family is reasonably expected to contribute to college costs each year; determined using information provided on the FAFSA

FAFSA (Free Application for Federal Student Aid): Federal form that determines a family's Estimated Family Contribution and student eligibility for financial aid by compounding parent/guardian income, assets, and other factors

Grant: Monies awarded based on financial need; does not need to be repaid.

Merit-based Aid: See "Scholarship"

Need: Student need for financial assistance; the difference between the total cost of college and the student's EFC (Estimated Family Contribution)

Need-aware Admission: Admission decisions (acceptance, rejection, wait listing) contingent on financial need

Need-based Aid: See "Grant," "Pell Grant," "Work-Study"

Need-blind Admission: Admission decisions (acceptance, rejection, wait listing) made regardless of financial need

Pell Grant: Federal financial aid for low-income students; awards contingent on results of FAFSA; does not need to be repaid

Private Loan: Borrowed monies that must be repaid with interest; can be lent by a bank, credit union, or third party; typically have variable interest rates dependent on national prime rate; interest usually cannot be deferred until after graduation

Scholarship: Monies awarded based on achievement in areas such as academics, arts, athletics, or community service; does not need to be repaid; not contingent on financial need

Work-study: Campus employment typically considered financial aid; jobs may include administrative work in campus libraries, admission offices, and athletic department.

Dana Parker, Director of Financial Aid at West Chester University of Pennsylvania, emphasizes that while colleges will try to meet a student's need, there are no guarantees. "Some schools can come up with a financial aid package to meet the total unmet need of a student, but a whole lot can't."

In general, you want to file your FAFSA every year as soon as possible after January 1; for freshman year financial aid, you should still file the January before you enroll. For example, to get financial aid for the 2013-2014 school year, you can file as soon as you can after January 1, 2013. And you have to be sure to apply every year. Parker advises that you "meet the earliest deadline of the schools you are considering. That could be as early as February 1 or 15." Remember that financial aid is typically first come, first served!

Also keep in mind that your financial aid package isn't necessarily set in stone, even after you file the FAFSA. "If something changes after filing the FAFSA—a parent loses a job, work hours are reduced, a divorce, separation, death in the family, or major medical crisis—we advise students to come and talk to us so we can take a second look," says Ann Klein, Financial Aid Director at the University of California, San Diego. "We help students who have significantly changed circumstances."

A New Tool for Reporting Income

In addition to filing by your school's deadline, a key to getting financial aid is having all of your income tax information ready. The problem is that many families complete their income tax forms just before April 15, while most college deadlines for aid are prior to that date. For example, Parker says that at West Chester University, students must file by March.

New this year for the FAFSA online is an IRS interface called the IRS Data Retrieval Tool (DRT). The tool allows FAFSA filers to drop their financial information from their filed taxes directly into their FAFSA form. "The catch is you already have to have filed your tax return and it may take two weeks to get it in the system," says Bazan, at Austin Community College. "If parents decided not to file their taxes until April 15, it can hold things up. You can file income taxes as soon as your

employer gives you your W-2s, which they have to give by January 31.”

The system helps assure students are providing accurate financial information, direct from their tax forms. However, some students, like Wells, estimate amounts on the FAFSA, and then, when they have the actual figures in hand, they go back and adjust their FAFSA online.

“As long as you have all your tax information and your parents’ tax information, it’s really straightforward. To file the FAFSA,” Wells says. “It doesn’t take long at all, but it really pays off in the end, so it’s worth the time that it takes.” For more information on the FAFSA visit www.fafsa.ed.gov.

A Word of Warning on Loans

For many students, federal direct loans are a significant part of their aid package. If you demonstrate sufficient need, you can get low-interest subsidized federal loans that are available regardless of need. However, there are limits on how much you can borrow; find out more at www.direct.ed.gov.

Students may have to take out private loans as well. Wells estimates that she will leave Lebanon Valley College with a total loan debt of \$35,000 in combined federal and private loans. “My focus has been on getting an education and finding a way to make that work, even if I’ll be paying off loans in the future,” she says. “I definitely looked at how much I’d be paying back per month after I graduated. One of the best things I did was seek out an on-campus work-study job. The supplemental income enabled me to pay for books each semester, and I was also able to make payments on some of my private loans, which has helped to keep down future repayment costs.”

Blair at Roanoke College says, “If you borrow within reasonable, manageable limits, it’s an investment that’s going to provide a return. There has to be some reconciliation between what your potential income will be like and what your loan indebtedness will be.” He recommends checking a repayment calculator, like the one on www.paybacksmarter.com, which shows what monthly loan payments can be based on total borrowing.

Be aware that if you are an undergraduate student and plan to take out a Direct Subsidized Student Loan, the interest rate for that loan will continue to be 3.4% interest for the 2012-2013 school year, according to the U.S. Department of Education. Rates were scheduled to rise 6.8% but Congress came up with a zero-hour deal to keep the rates low at least for one more year. Also, a new provision will eliminate the interest subsidy provided during the six-month grace period on subsidized loans for which the first disbursement was made on or after July 1, 2012, and before July 1, 2014. Congress has been debating federal aid changes; for the latest updates on federal student aid, visit <http://studentaid.ed.gov>.

Brain Power Still Pays

While much of financial aid is need-based, college dollars are given based on merit as well. For the most part, merit means smarts, and good grades can lead to more funds. Wells got scholarships for maintaining a high GPA within her major of history and historical communications. “The faculty picks one to two students a year to win a full-tuition scholarship, and I was able to get one for my junior and senior years.” Use an online search service like www.collegexpress.com and you’ll find scores of scholarships for college-bound high school students who perform well academically or have other talents in the arts, athletics, etc.

Think Creatively for Cutting Costs

Sometimes students have to think outside of the box to come up with clever ways to afford college. For example, working as a residence advisor can earn you free or discounted housing. Parker at West Chester University shared the story of a student who worked as a nanny, taking college classes when the kids went to school and receiving free housing and a paycheck from the family.

“I had a student once who applied for a job as a janitor at the college,” says College of New Jersey’s Casaine. “By working as a full-time janitor, he got a tuition waiver. He paid for fees and that’s it.”

Miles Bryan, a senior and a history major at Reed College in Portland, Oregon, figured out a way to save by taking a semester abroad. “A semester at Reed is

\$20,000,” says Bryan. “In London at King’s College, tuition was \$7,000 or \$8,000. Reed doesn’t have a program with King’s College, so I went to all of my professors to make sure I could get my credits transferred and then paid King’s College directly.”

As a cash-strapped student, Bryan borrows textbooks from the library rather than buying them. “I moved off campus as soon as I could to save money,” he adds. “I went from paying maybe \$800 a month for a dorm and \$600 for food to \$300 a month for an apartment and about \$300 a month for food.”

Sonya Dryz at ACC saves by renting textbooks, and she takes advantage of her status as a student to get a free bus pass. Aiming to eventually get her bachelor’s degree, Dryz has saved a lot by attending community college. She intends to transfer to a four-year college to finish out her final two years.

“Don’t be deterred if your dream school is more expensive than you had planned on, because there are ways to pay for it,” says Rooney. “It’s up to you to figure it out; look for the scholarships, loans, and other types of aid. You have to put in the work. But if you put in the work, you will be rewarded, and it will make paying for the college experience much easier. I’m not going to get out of the college with no loans. I’ll be paying back for a while, but I wouldn’t trade my four years here for anything else.”

Don Rauf is a contributing editor to *Careers and Colleges* magazine from which this article was taken.